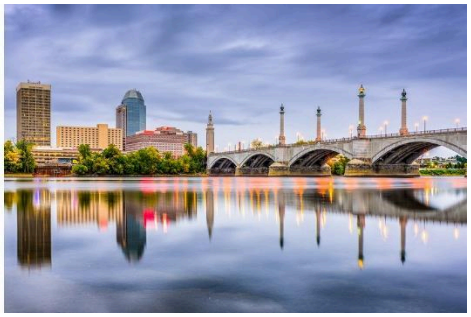




Access to Capital in the Pioneer Valley

A Study of the Financing Ecosystem for People of Color- and Women-owned Small Businesses in Hampden and Hampshire Counties, Massachusetts

Prepared for

Pioneer Valley Planning Commission

August 2026

P2 Advisors

Table of Contents

I. Executive Summary

II. Study Methodology & Definitions

III. Pioneer Valley Underserved Small Business Community

IV. Pioneer Valley Small Business Capital Ecosystem

V. Pioneer Valley Underserved Small Business Unmet Financing Demand

VI. Appendix

Introduction

In early 2021, as the Massachusetts economy was still reeling from the impacts of COVID-19, The Boston Foundation and Boston Indicators in partnership with the Coalition for an Equitable Economy published *The Color of the Capital Gap*, a groundbreaking report that documented stark racial disparities in small business financing across the state, estimating that entrepreneurs of color face at least $574 million in unmet capital demand each year and tracing the disparity to the racial wealth gap and other long-standing systemic barriers. Subsequently, in June 2024, MassINC and P2 Advisors published *Community Capital for Small Businesses*, a study that assessed how the community finance sector serves Massachusetts entrepreneurs; the report concluded that while community finance organizations disproportionately serve the smallest and youngest businesses and those owned by underrepresented groups, the sector remains small compared to leading states and faces significant long-term funding challenges.

Alongside the statewide research efforts, the Pioneer Valley Planning Commission (PVPC) undertook parallel evaluations starting in 2022 in the 43 communities of Hampden and Hampshire Counties in west central Massachusetts. Through research funded by the Economic Development Administration of the U.S. Department of Commerce under the CARES Act, PVPC corroborated that entrepreneurs and small business owners of color in the Pioneer Valley had been especially hard-hit and would benefit from increased access to targeted business resources, including potential new sources of capital. In 2024, the findings of this body of work were incorporated into the five-year "Pioneer Valley Comprehensive Economic Development Strategy," a suite of recommendations and actions designed to strengthen and grow the region's economy.

Since 2024, PVPC has been continuing its work to develop programs that will help the Pioneer Valley small business sector thrive, with an emphasis on access to capital. In 2025, PVPC convened an Advisory Group of community representatives and leaders to explore potential next steps to address the identified gaps in access, resulting in the commissioning of this new report—*Access to Capital in the Pioneer Valley*—to gain a deeper and clearer understanding of the types of capital currently available to these businesses, how successfully that capital is being accessed, and by whom.

Drawing on the statewide insights of *The Color of the Capital Gap* and *Community Capital for Small Businesses* and the regional findings of PVPC's earlier work, this report offers the first in-depth look at access to capital specifically within the Pioneer Valley. As in the state report findings, Pioneer Valley small businesses owned by women and people of color remain underrepresented in applying for and securing needed capital resources. And, the challenge lies not only in how *much* capital exists in the region, but how well small businesses can find and connect to it. Providers described a financing ecosystem that is siloed and hard to navigate — as one lender put it, "an awareness and trust problem, not an underwriting problem." The next phase of the process will be to identify how best to overcome these barriers so that *all* the Pioneer Valley's entrepreneurs and small business owners have access to both the capital and the technical support they need to flourish.

Access to Capital in the Pioneer Valley was made possible by generous funding from the Massachusetts Gaming Commission and the Federal Reserve Bank of Boston. In addition, PVPC wishes to acknowledge and thank the members of the Advisory Group who volunteered their expertise and time to assist this effort:

Lezlie Braxton-Campbell
Neighbor2Neighbor

Megan Burke
Community Foundation of Western Massachusetts

Ward Caswell
Beveridge Foundation

Jessica Citron
Small Business Owner

Rich Griffin
MassDevelopment

Samantha Hamilton
Public Health Institute of Western Massachusetts

Matthew Konsa
MassMutual Foundation

Raymond Lanza-Weil
Common Capital

Will Morales
Monson Savings Bank

Dalida Rocha
Neighbor2Neighbor

I. Executive Summary

Small businesses owned by People of Color ("PoC") and women are significant drivers of regional economic activity, employment, wealth creation, and community vibrancy in the Pioneer Valley ("PV"). There is a strong ecosystem of capital providers and other business support organizations that are focused on helping these small businesses reach their full potential. However, PoC- and women-owned small business have significant unmet financing needs that if met could catalyze more inclusive economic growth in the region.

PV PoC and women are significantly underrepresented in the small business owner community compared to their representation in the general population. PV small businesses are smaller than comparable regions overall, and PV PoC- and women-owned small businesses are significantly smaller than their White- and men-owned counterparts.

The estimated racial/ethnic and gender diversity of depository institution borrowers in the PV is low, while the known diversity of private investor, Community Development Financial Institution (CDFI), and Community Development Corporation (CDC) financing clients is relatively high. The mission-driven financing institution ecosystem (CDFIs and CDCs), while small, shows particularly strong overrepresentation of PoC- and women-owned small businesses and their financing to these businesses has growth significantly in recent years. The private investment ecosystem in the PV, while small and much less active than Massachusetts overall, has slightly higher rates of investment in PoC-owned businesses.

There is significant unmet demand for financing from PV PoC- and women-owned businesses. PV PoC- and women-owned businesses are more likely to experience financing shortfalls compared to men- and/or White-owned small businesses. We estimate that there is approximately $944 million in unmet financing demand from PV PoC- and women-owned businesses, including nearly $200 million in unmet application demand and $744 million in latent financing demand. Approximately three quarters of the unmet demand is estimated to come from lower risk and/or profitable businesses and is best addressed by increasing access to existing financing sources and developing new financing solutions to fill gaps. Approximately one quarter of unmet demand is estimated to come from businesses with high credit risk and/or unprofitable businesses that is best addressed, at least initially, by technical assistance and other non-financing support to increase financing readiness.

PV's small business capital ecosystem has many strengths and recent momentum in serving underserved small businesses. Productively fulfilling the unmet financing demand from the PV's PoC- and women-owned small businesses will require cross-sector collaboration, increased funding, and various financing and non-financing programmatic efforts to address the varied underlying challenges these small businesses face.

II. Study Methodology & Definitions

This study analyzed the Pioneer Valley (PV) Women- and PoC-owned small business communities, the financing sectors that serve them, and their unmet financing needs. The study employed a mixed-methods approach, combining quantitative business and capital flow data analysis with qualitative analysis to assess the small business financing ecosystem.

The study quantified and analyzed the number, size and ownership demographics of all PV small businesses.

The study analyzed capital flows across the capital continuum, ranging from depository institution (i.e., bank and credit union) lending, CDFI and CDC lending, and private investor financing by individual investors (AKA angel investors), venture capital firms, and private equity firms.

The study estimated unmet financing demand from Women- and PoC-owned small business in the PV using small business survey data on small businesses' experiences applying for financing.

The small business community and capital flow data analysis were benchmarked to comparable regions and Massachusetts and the U.S. for comparative context and insights. Comparable regions analyzed include Greater Hartford, CT (Hartford and Tolland counties or Capitol Planning Region); Greater Providence, RI (Providence County); and Greater Rochester, NY (Monroe County). These regions have similar population sizes, PoC populations, and economic conditions (e.g., employment growth, unemployment rates, industry mix). All four selected comparable regions have similar population sizes, PoC populations, and economic conditions.

Quantitative data analysis was complemented by 14 interviews (eight capital providers and six technical assistance providers) to surface key themes from their experience supporting capital access for small businesses, perceived gaps in the small business financing ecosystem, and businesses' readiness to access and absorb financing.

Key Definitions

Pioneer Valley: For the purposes of this research report, the Pioneer Valley is defined as Hampden and Hampshire counties in Massachusetts. While Franklin County is traditionally considered part of the Pioneer Valley, it was excluded from this research because the Pioneer Valley Planning Commission (PVPC) serves only Hampden and Hampshire counties, and the study's scope was limited to PVPC's service area.

People of Color ("PoC"): People of non-White races and/or Hispanic ethnicity.

Target small business community: Small businesses that are greater than 50% women-owned and/or non-White and/or Hispanic-owned (PoC).

Small business: The definition of "small business" varies by data source. Data on the small business community from the U.S. Census Bureau differentiates employers from non-employers and does not further define "small business." Data on depository institution lending from the Federal Financing Institutions Examination Council (FFIEC) defines small businesses as those with less than $1 million in gross annual revenue. Data on Small Business Administration (SBA) partner lending from the SBA defines small business using industry-specific size standards based on either employee count or average annual revenue, as determined by North American Industry Classification System (NAICS) code classification, rather than a single universal threshold. The SBA's guidelines range from a maximum employee count of 50-1,500 and annual revenue of $1 million to $47 million.[1] Private investor financing data analyzed includes financing to businesses with less than $10 million in annual revenue that raised financing in pre-seed, seed, Series A, Series B, and Series C rounds. CDFI/CDC financing data does not officially define small business. However, the vast majority of CDFI and CDC business clients are within general definitions of small business (e.g., SBA standards); for example, nearly 90% of all CDFI/CDC business clients in Massachusetts have 5 or fewer employees.

Technical assistance ("TA"): Technical assistance traditionally refers to the non-financial business support, including advisory, training, educational, and capacity-building services, that help small business owners and entrepreneurs start, stabilize and grow their businesses. Within the context of this study, the research focused on technical assistance aimed at improving business owner readiness to access and effectively absorb capital.

Community Development Financial Institution ("CDFI"): A CDFI is a financing institution certified by the U.S. Treasury that has a primary mission of promoting community development, directs at least 60% of its financing activity to low-income or underserved target markets, provides development services (e.g., technical assistance) alongside financing, maintains accountability to its target market, and operates as a non-governmental entity.[2]

Community Development Corporation ("CDC"): CDCs are neighborhood-level, nonprofit organizations that engage local residents and businesses to undertake projects that develop and improve urban, rural, and suburban communities, and create economic opportunities for low- and moderate-income people, operating under Massachusetts certification standards (M.G.L. Chapter 40H) established in 2010.

Private investor: Individual or institutional investors that deploy capital directly to companies. This includes angel investors (individuals or angel investor groups), venture capital firms, private equity

[1] https://www.sba.gov/federal-contracting/contracting-guide/size-standards
[2] CDFI Fund

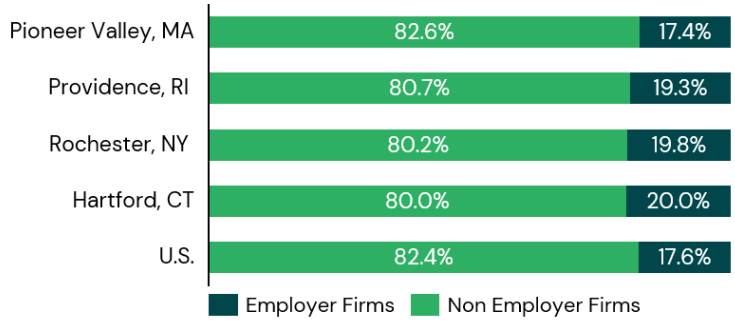
funds, and private credit providers. Financing is most commonly in the form of equity investment, with some use of non-traditional debt structures (e.g., convertible notes).

Depository institution: Any bank or savings association whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) and regulated by the Federal Financial Institution Examination Council (FFIEC). This includes commercial banks, thrift and savings associations, and credit unions.

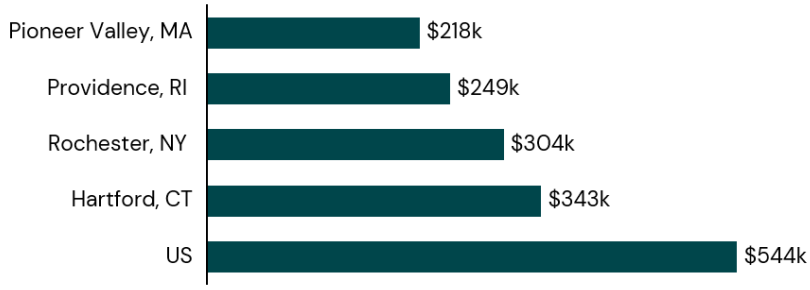
III. Pioneer Valley Underserved Small Business Community

There are approximately 55,000 small businesses operating in Hampden and Hampshire counties in the Pioneer Valley (PV) of Massachusetts. Compared to comparable regions and the U.S., PV small businesses are smaller as measured by the percentage of employer firms (17.4% employer firms in PV vs. 19-20% in comparable regions). PV firms are also smaller by average annual payroll of employers ($218,000 average compared to $249,000-$343,000 in comparable regions).

Small Business Composition by Employer / Non-Employer[3]



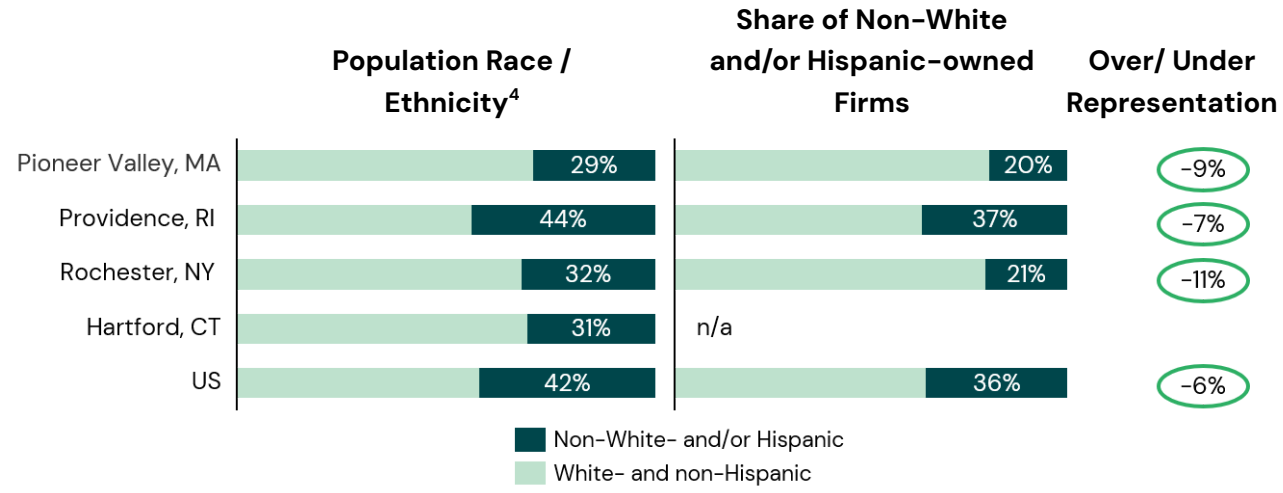
Small Business Size by Average Annual Payroll



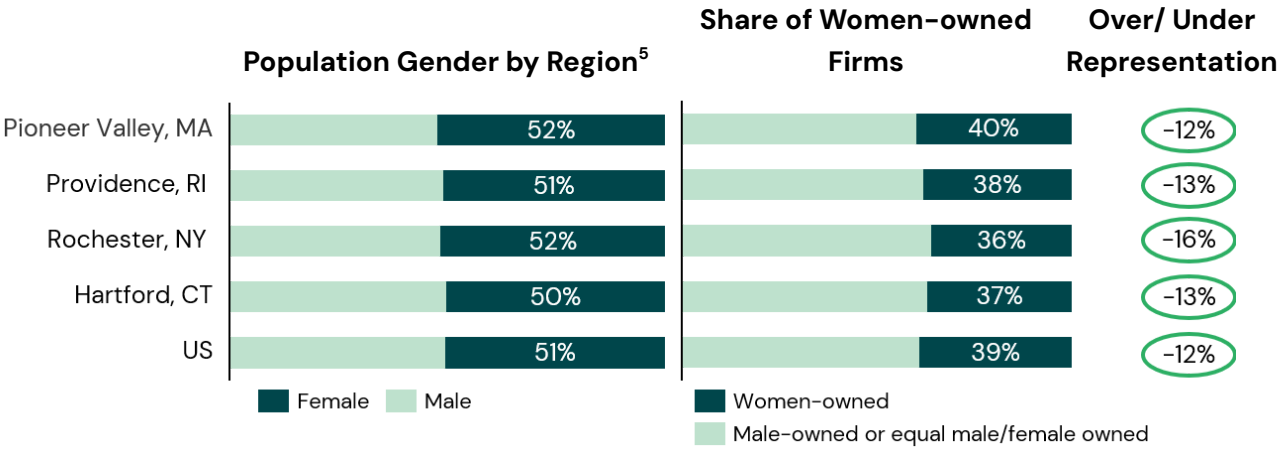
PoC are underrepresented in the small business community compared to their representation in the general population, which is true in all comparable regions and the U.S. For example, 29% of PV residents are PoC, while only 20% of the firms are PoC-owned. Approximately 20% (12,700) of PV

[3] Sources: US Census Bureau and US Small Business Administration

small businesses (employer and non-employer firms) are owned by PoC, which is lower than the national average (36%) and Providence (37%) and on par with Rochester (21%).



The gender diversity of PV's small business community is on par with comparable regions. Half or more (50-52%) of the population of the PV, all comparable regions, and the US is women. However, the share of women-owned firms in the same geographies ranges significantly lower at 36-40%. For example, the PV population is 52% women, while only 40% of the firms are women-owned. Approximately 40% (21,600) of PV small businesses (employer and non-employer firms) are owned by women, which is in line with or slightly above comparable regions (36-38%) and slightly above the national average (39%).

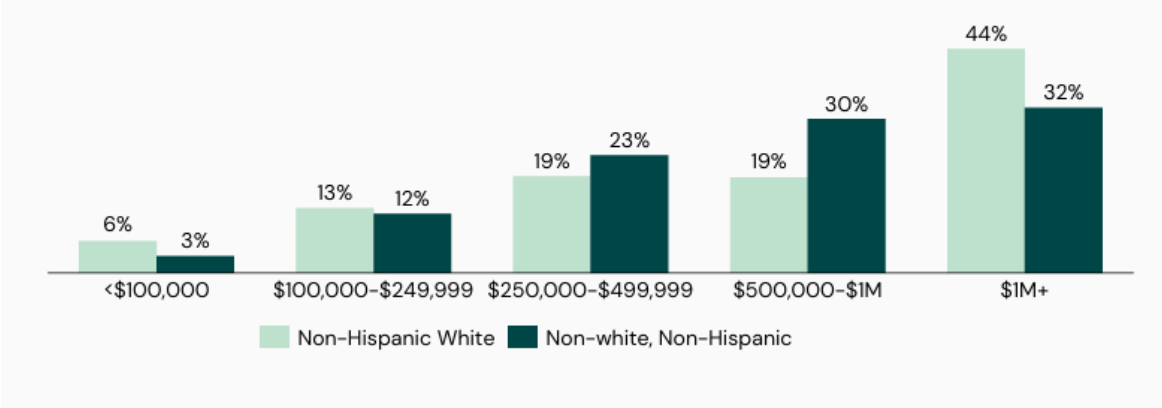


PV non-White, non-Hispanic-owned firms tend to be smaller than non-Hispanic, White-owned firms; nearly one third (32%) of non-White, non-Hispanic-owned firms reported >$1 million in annual receipts, compared with 44% of White, non-Hispanic-owned firms.

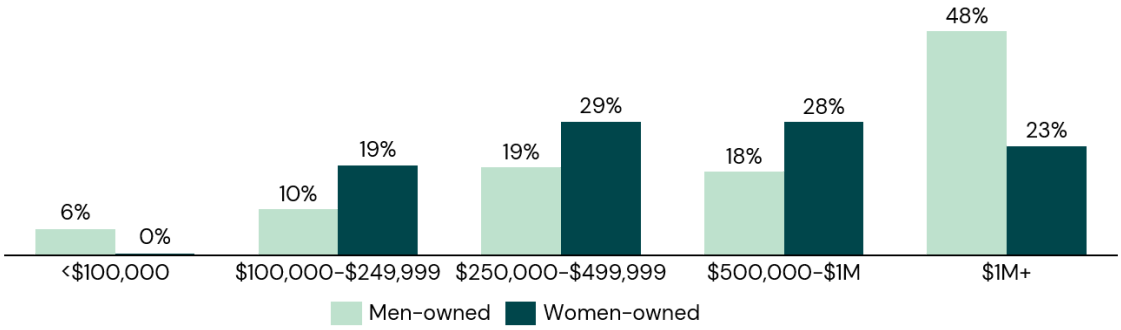
[4] Sources: US Census Bureau and US Small Business Administration.
[5] Sources: US Census Bureau and US Small Business Administration.

Women-owned firms also tend to be smaller than men-owned firms, with nearly one quarter (23%) of women-owned firms reporting >$1 million in annual receipts, compared with 48% of men-owned firms.

Hampden County Employer Firms by Size (Receipts), Race & Ethnicity[6]



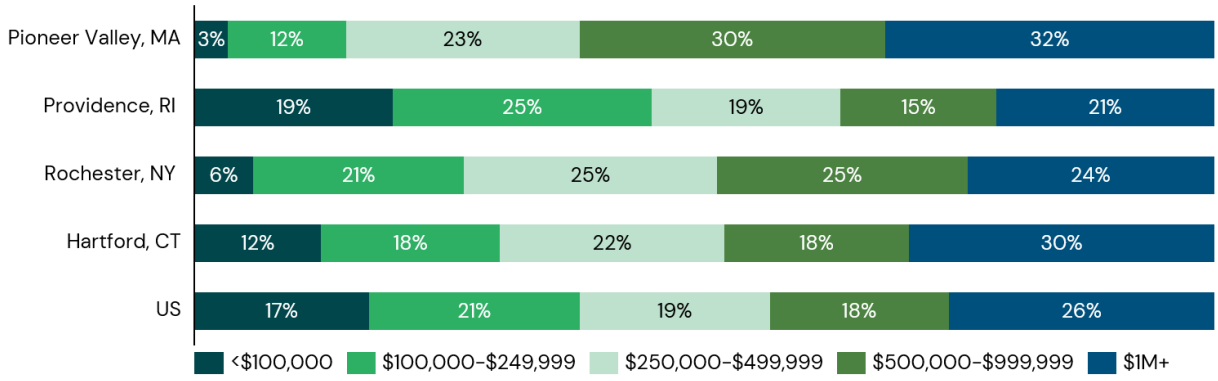
Hampden County Employer Firms by Size (Receipts), Gender



PV PoC-owned businesses are larger than comparable regions, but employers lag their White-owned counterparts in terms of reaching scale ($1 million in annual revenue). PoC-owned firms are more concentrated in the $250,000-$1 million annual revenue range, suggesting that PoC-owned firms hit a ceiling around $1 million in revenue rather than continuing to scale through it. Compared with similar regions, PV PoC-owned employer firms are larger, but still tend to be smaller than white-owned firms.

Firm Size (Annual Receipts) of PoC-owned Employer Firms in the Pioneer Valley and Comparable Regions[7]

[6] Sources: US Census Bureau, 2022 Annual Business Survey
[7] Ibid



Size Distribution Employer Firms by Race/Ethnicity in the Pioneer Valley and Comparative Regions, Difference of Distribution of PoC- to White/non-Hispanic-owned Firms [8]

	PV/Hampden	Hartford	Providence	Rochester	US
<$100,000	-0.6%	0.2%	1.1%	4.2%	0.3%
$100,000–$249,999	-1.1%	2.4%	8.4%	0.8%	1.6%
$250,000–$500,000	4.1%	5.8%	0.4%	8.1%	1.4%
$500,000–$999,999	11.4%	3.6%	-2.4%	9.1%	1.4%
$1M+	-11.4%	-12.2%	-11.7%	-9.6%	-5.7%

IV. Pioneer Valley Small Business Capital Ecosystem

The PV small business capital ecosystem is complex and dynamic, with unique trends, varying client diversity, and specific key institution influences, and other factors within each capital provider sector.

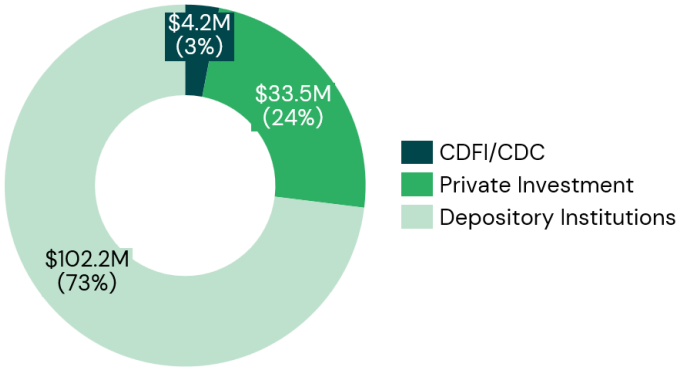
Each capital provider sector offers different financing solutions to different types of small businesses. Depository institutions, including local, regional, and national banks and credit unions offer a wide range of small business financing products including credit cards, lines of credit, and term loans. As federally regulated institutions, they tend to take less credit risk and generally require or prefer established businesses with a history of profitability, moderate to strong personal and business credit history, and require collateral and/or personal guarantees. CDFIs and CDCs typically offer term loans, though a small percentage of them offer other financing solutions including lines of credit, revenue-based financing, and equity investment. As mission-driven financing institutions, CDFIs and CDCs are more accessible than depository institutions and often serve businesses with less track record, lower profitability, lower personal and business credit scores (some ignore credit scores altogether), and/or limited or no collateral. Private investors typically provide equity investments (some also provide convertible notes) and are focused on

[8] US Census Bureau, 2022 Annual Business Survey

high-growth, scalable business with proprietary technology or other intellectual property. Private investors often finance earlier stage businesses, including those that are pre-revenue, and often finance businesses that are unprofitable as they build their product(s) and invest in go-to-market efforts ahead of revenue. A healthy small business capital ecosystem has a diverse mix of these capital providers to serve businesses of different sizes, stages, sectors, and levels of financial health.

In 2023, the most recent year of full data availability across sectors, a total of $139.9 million in financing was deployed to PV small businesses by depository institutions, private investors, and CDFIs/CDCs. Depository institutions lent $102.2 million to small businesses across 140 loans, which accounted for the majority of financing deployed (73% of total financing deployed); private investors deployed $33.5 million across 7 financings (24% of financing deployed); and CDFI/CDCs deployed $4.2 million across 69 financings (3% of financing deployed).

Pioneer Valley Small Business Financing by Capital Provider Type, 2023

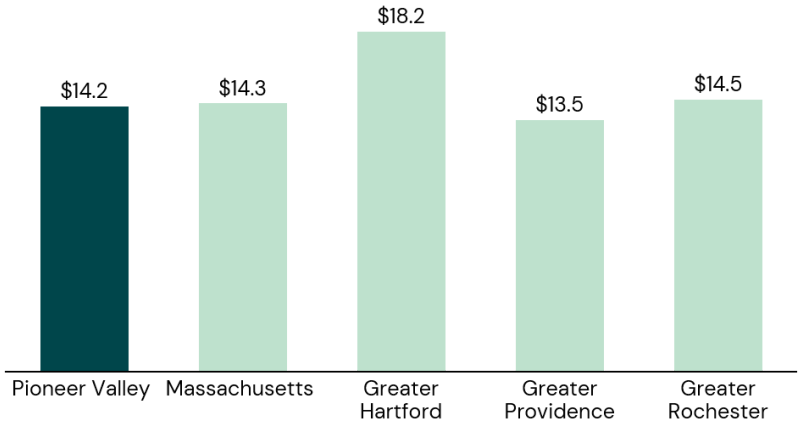


Over the trailing 6 to 7 years in the PV, the rate of financing per small business across debt markets (depository institutions and CDFI/CDCs) was in line with or above comparable regions and Massachusetts, while the rate of private investor financing was very low on an absolute and relative basis.

The rate of depository institution lending per small business in the PV aligns with overall lending per small business across Massachusetts ($14,200 and $14,300, respectively) and is similar to most comparable regions ($13,500 per small business in Greater Providence, $14,500 in Rochester), with Greater Hartford depository institutions deploying slightly more per small business ($18,200).

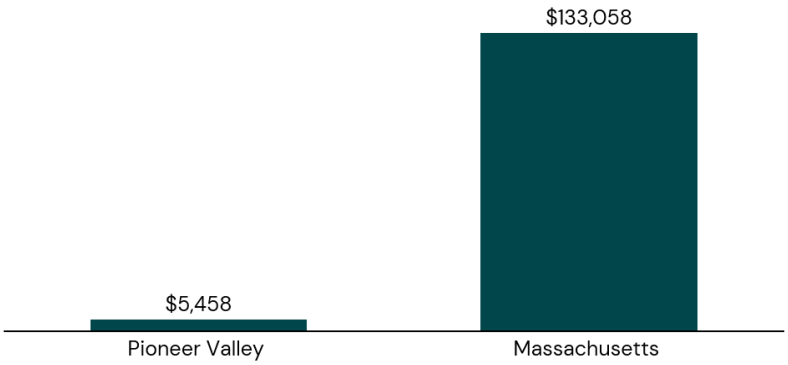
Depository institution Lending per Enterprise to Small Businesses in the Pioneer Valley and Comparable Regions, 2019-2024 ($000)[9]

[9] Federal Financial Institutions Examination Council (FFIEC), US Census Bureau.



Private investment (from pre-seed to Series C for companies with revenue <$10 million) per enterprise in the PV is significantly lower than in Massachusetts ($5,500 vs. $133,000, respectively).

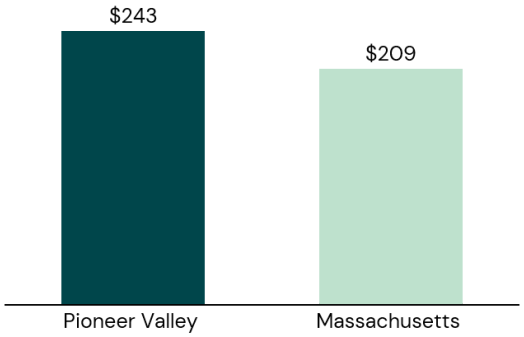
Private Investment per Enterprise to Small Businesses in the Pioneer Valley and Massachusetts, 2020-2025[10]



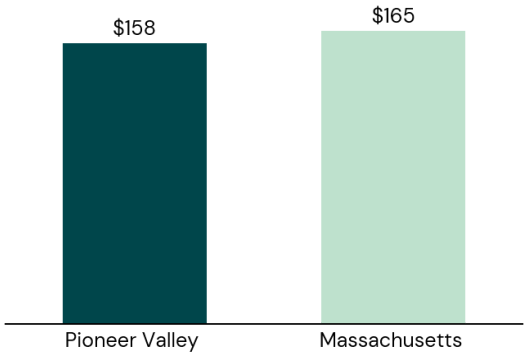
CDFI/CDC lending per small business in the PV ($243) is 17% higher than CDFI/CDC lending per business across Massachusetts ($209) but significantly lower than depository institution lending. CDFI-only financing (excluding non-CDFI CDCs) is $7 lower per business in the PV ($158) than CDFI financing per business at the state level ($165).

CDFI/CDC Financing to Small Businesses in the Pioneer Valley, 2019-2023 ($)[11]

[10] Crunchbase, PitchBook, CB Insights.
[11] Matt Brewster, Meaghan Phillips, and Elise Rapoza. "Community Capital for Small Businesses: A Study of the CDFI and CDC Ecosystem in Massachusetts." (Boston, MA: MassINC, June 2024.)



CDFI Financing to Small Businesses in the Pioneer Valley, 2019-2023 ($)

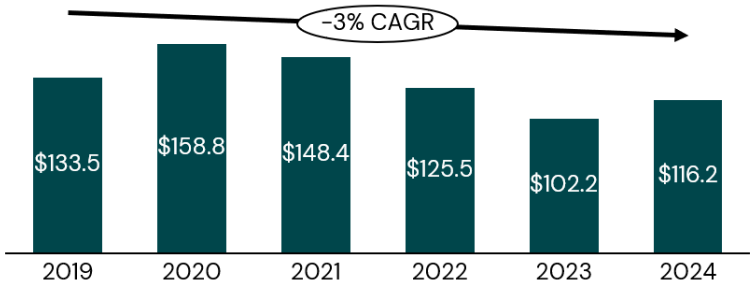


The trends in financing to PV small businesses over the last 6-7 years vary considerably by capital provider type. Lending from traditional financing institutions such as depository institutions (banks and/or credit unions) and private investor investment have declined (in line with regional and national trends), while CDFI/CDC financing has grown significantly.

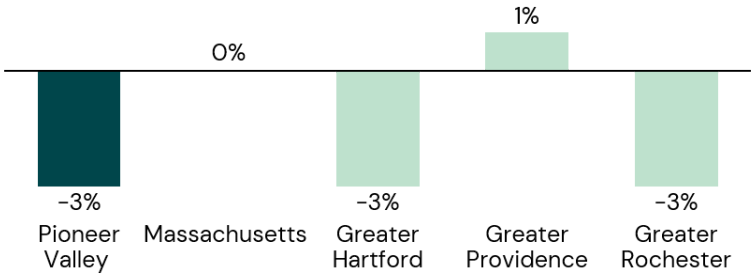
Depository institution lending to PV small business decreased at an annual compound rate of -3%, from $133.5 million in 2019 to $116.2 million in 2024. This is similar to most comparable regions (-3% in Greater Hartford and Greater Rochester), except Providence which saw modest growth (1%). At the state level, depository institution lending to small businesses over the 5-year period saw a 0% annual compound growth rate due to a bump in 2020 followed by a decline 2021-2024 back to 2019 levels. This is low compared to the national growth rate of 6% in depository institution lending, but similar in a 2020-2021 jump in lending and a leveling out to pre-2020 volume by 2024.

Depository Institution Lending to Pioneer Valley Small Businesses, 2019-2024 ($M)[12]

[12] Federal Financial Institutions Examination Council (FFIEC), US Census Bureau

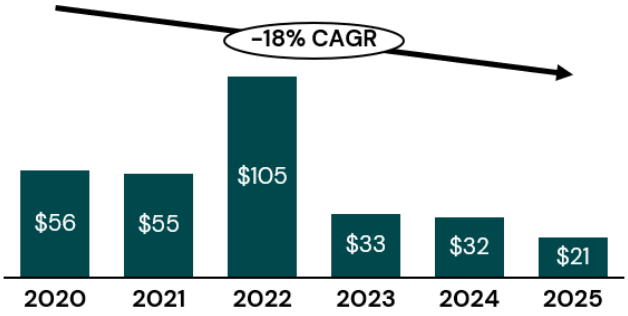


Compound Annual Growth Rate of Depository Institution Lending in PV, Comparable Regions and Massachusetts, 2019-2024



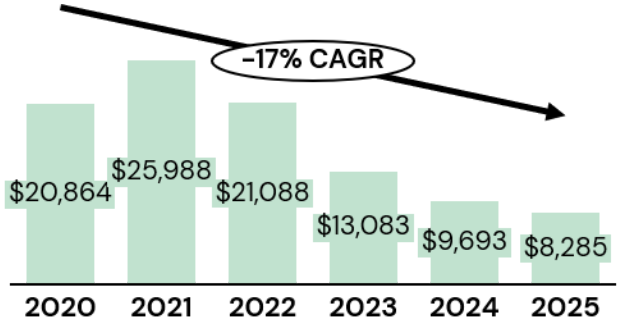
Like depository institution lending, private investment to PV small businesses decreased from 2020-2025 at an annual compound rate of -18%, from $56 million in 2020 to $21 million in 2025. This includes a significant increase in 2022 (9 deals for $105 million) and gradual decrease through 2025. Based on dollar amount of financing, the decreases in the PV and at the state level are similar (18% and 17%, respectively).

Private Investors Financing to Pioneer Valley Small Businesses, 2020-2025 ($M)[13]



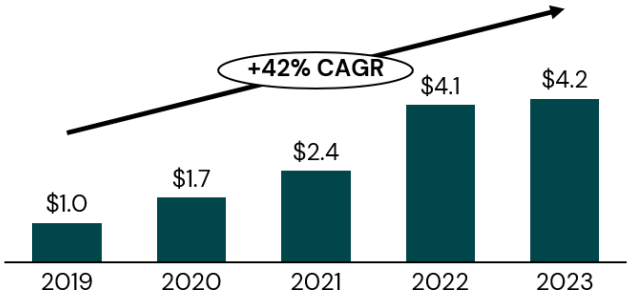
Private Investors Financing to Massachusetts Small Businesses, 2020-2025 ($M)

[13] Crunchbase, PitchBook, CB Insights

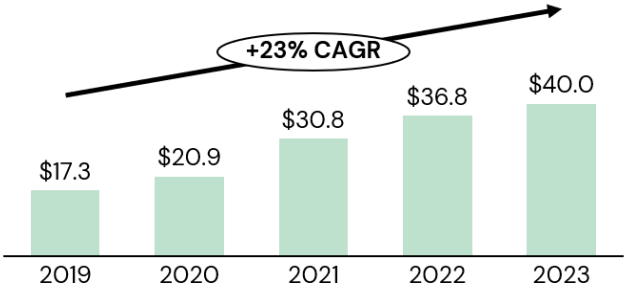


CDFI/CDC financing to PV small businesses grew at an annual compound rate of 42% from 2019-2023, reaching $4.2 million in 2023. This growth was 19 percentage points higher than all CDFI/CDC financing across Massachusetts (23%).

CDFI/CDC Financing to Small Businesses in the Pioneer Valley, 2019-2023 ($M)[14]



CDFI/CDC Financing to Small Businesses in Massachusetts, 2019-2023 ($M)



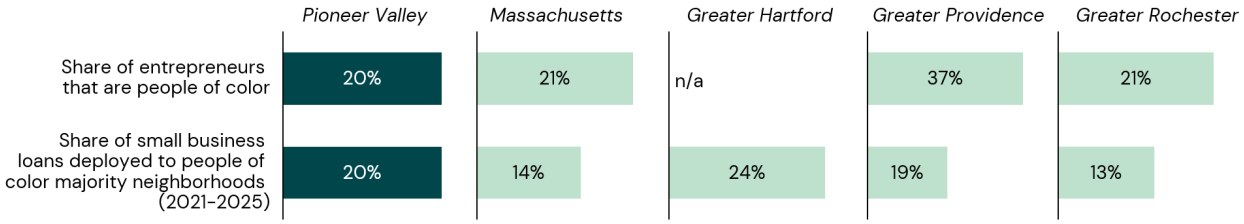
The estimated racial/ethnic and gender diversity of depository institution borrowers in the PV is low, while the known diversity of private investors, CDFI, and CDC financing clients is relatively high. CDFI/CDC client diversity is particularly strong, with significant overrepresentation of Women and PoC.

The share of depository institution loans deployed to neighborhoods that are majority PoC in the PV in between 2019-2024 is 20%, which is the same as the share of PV entrepreneurs that are PoC. Comparable regions have lower rates of lending to majority PoC neighborhoods than the share of

[14] Matt Brewster, Meaghan Phillips, and Elise Rapoza. "Community Capital for Small Businesses: A Study of the CDFI and CDC Ecosystem in Massachusetts." (Boston, MA: MassINC, June 2024.)

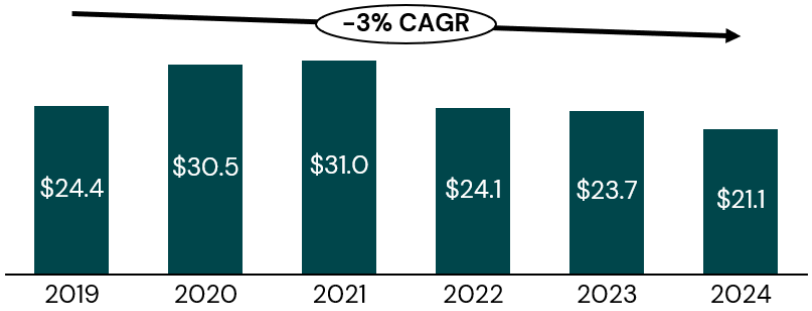
PoC entrepreneurs (e.g., in Greater Providence 37% of entrepreneurs are PoC, but only 19% of loans deployed go to majority PoC neighborhoods). In Massachusetts, 21% of entrepreneurs are PoC, while only 14% of all depository institution loans went to majority PoC neighborhoods.

Rate of Depository Institution Lending in Majority PoC Communities Compared to Entrepreneurial Representation, Comparable Market Analysis[15]

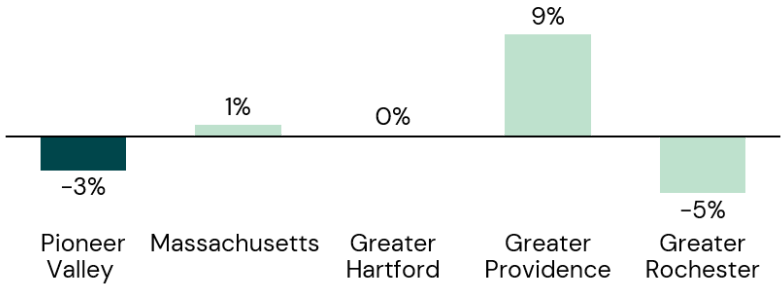


Depository institution lending to PoC-majority PV communities decreased at an annual compound rate of 3% from 2019-2024 (the same decline as all PV lending during this period), from $24.4 million to $21.1 million. Comparable regions varied significantly in depository institution lending to PoC-majority communities, with Providence seeing a 9% growth rate and Greater Rochester seeing a -5% decline. All Massachusetts lending increased just 1% to PoC-majority communities during the six-year period.

Depository Institution Lending to PV PoC-Majority Communities, 2019-2024 ($M)[16]



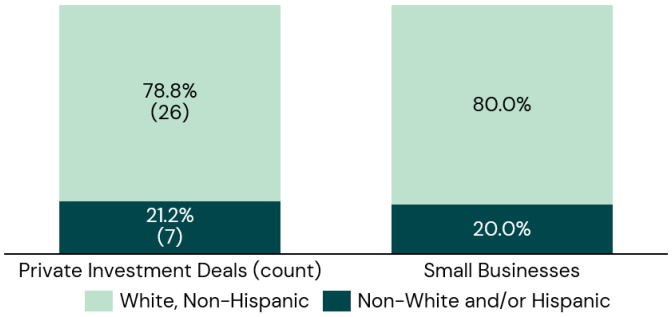
Compound Annual Growth Rate of Depository Institution Lending in PoC-Majority Communities in PV, Comparable Regions and MA, 2019-2025[17]



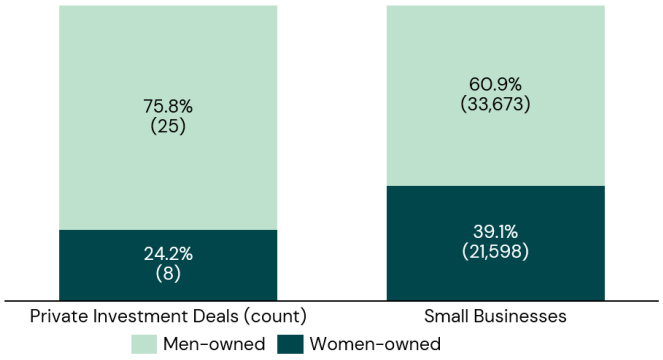
[15] Federal Financial Institutions Examination Council (FFIEC), US Census Bureau
[16] Ibid
[17] Ibid

The private investment ecosystem in the PV, while small and much less active than Massachusetts overall, had slightly higher rates of investment in PoC-owned businesses; 21.2% of private investment deals went to PoC-owned businesses, compared to 20.0% of all PV businesses being PoC-owned. Gender diversity of the founder(s) of PV businesses that receive investment is low relative to their representation in the small business community. Only 24.2% (8 of 38) of PV business financing rounds from 2020-2025 (where gender is known) were to companies with a women founder(s), compared to nearly 40% of total PV small businesses being women-owned.

Private Investor Financings to Small Businesses in the PV by Race/Ethnicity Compared to Representation in SB Community[18]



Private Investor Financings to Small Businesses in the PV by Gender Compared to Representation in SB Community[19]

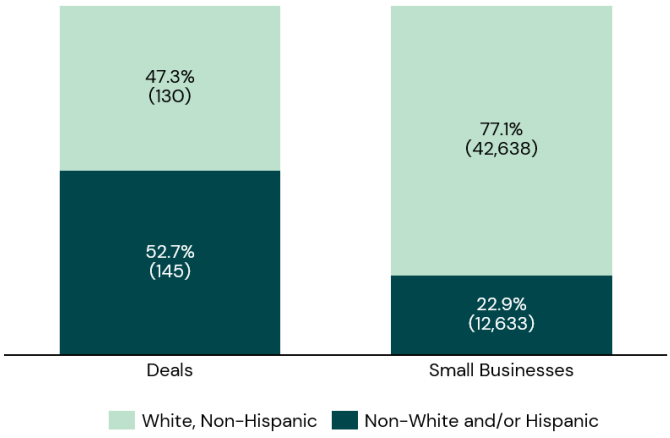


The mission-driven financing institution ecosystem (CDFIs and CDCs), while small, has a meaningful sector-wide focus in part on underserved small businesses. Women- and PoC-owned businesses are overrepresented in their deployment and their financing to these businesses has growth significantly in recent years. 52.7% (145 of 275 deals) of CDFI/CDC small business financing

[18] Sources: Crunchbase, PitchBook, CB Insights. Private investor data includes pre-seed to Series C for companies with revenue under $10 million.
[19] Ibid.

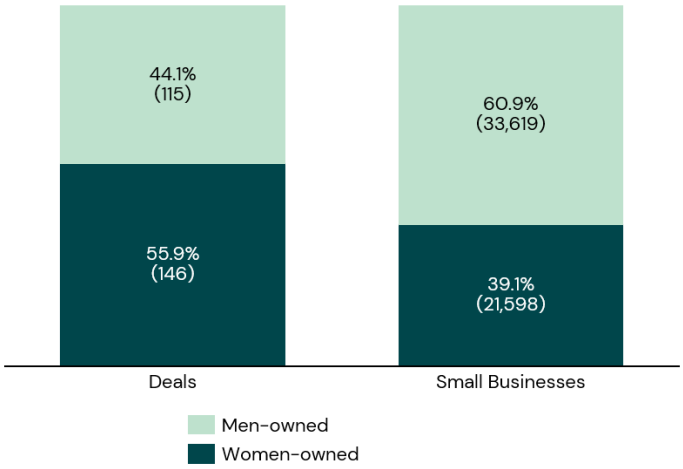
in the PV 2019-2023 were to companies with a PoC owner(s), whereas PoC(s) small businesses represent 22.9% of total PV small businesses.

CDFI/CDC Financings to Small Businesses in PV by Race/Ethnicity Compared to Representation in SB Community[20]



Similarly, 55.9% (146 of 261 deals) of CDFI/CDC small business financing in the PV were to a women owner(s), whereas women-owned small businesses represent only 39.1% of total PV small businesses.

CDFI/CDC Financings to Small Businesses in PV by Gender Compared to Representation in SB Community[21]

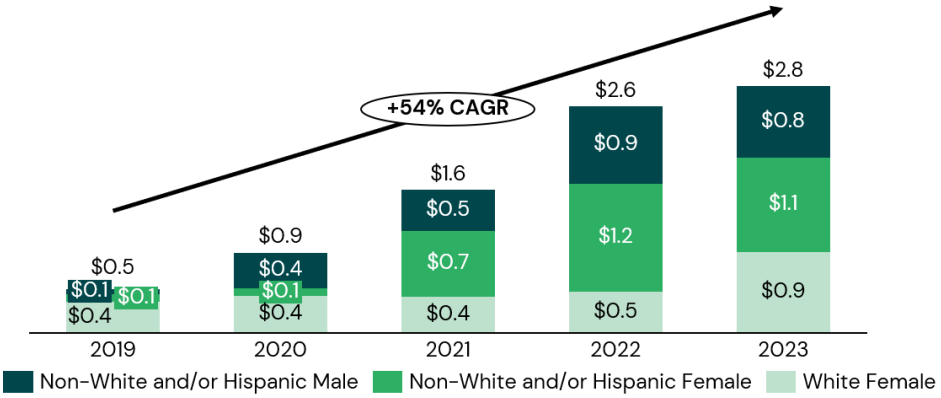


CDFI/CDC financing to PV women-owned and/or PoC-owned small businesses grew at an annual compound rate of 54%, reaching $2.8 million in 2023; this trend is true statewide, though at a lower

[20] Matt Brewster, Meaghan Phillips, and Elise Rapoza. "Community Capital for Small Businesses: A Study of the CDFI and CDC Ecosystem in Massachusetts." (Boston, MA: MassINC, June 2024.)
[21] Ibid.

rate (20%). There was a meaningful jump in CDFI/CDC lending to PoC-owned businesses in 2021, increasing nearly 2x in the PV and nearly 2.5x statewide. CDFI/CDC financing to businesses owned by a woman of color also increased over 12x from $90,000 in 2019 to over $1 million in 2023; statewide this increase was lower (4.6X from $1.7 million to $7.7 million).

CDFI/CDC Financing to SB in the PV, 2019-2023 ($M)[22]



Examining institution-level financing activity provides unique insight into the most active small business financing institutions.

Comprehensive data of lending by institution is not available for depository lenders. However, SBA-backed loans are publicly reported at the transaction level and includes lender attribution. Because most SBA partner lenders are depository institutions, this data offers a valuable snapshot of the most active small business lenders among depository institutions. There were 64 active SBA partner lenders in the PV from 2020-2025 who deployed $162 million to PV small businesses. Highly active lenders include local or regional banks who do all or most of their lending in the PV (e.g., Florence Bank, New Valley Bank, Westfield Bank do 97-100% of all lending in the PV and collectively deployed $17.65 million during the 6-year period). Another group of lenders are national or regional lenders who deploy a large volume of loans in the PV, but whose deployment represents a small portion of all lending. More than half (56%) of all PV lenders do 15% or less of total Massachusetts lending in the PV, but their lending comprises two thirds of all SBA lending at nearly $105 million total. One third of all PV lending during this period was deployed by only three banks (TD Bank, Brookline Bank, and Live Oak Bank); while volume of deployment is high comparatively, these banks do only 9-12% of total lending in the PV.

There were 73 known active private investors from 2020-2024 in the PV. Most of the private investment activity in the PV is from non-local firms primarily doing one-off transactions with businesses that align with specific investment theses, though several mission-based investors have increased activity in recent years (e.g., MassMutual Impact Investing). Only one investor (MassVentures) made more than 5 investments during the period (6 total), followed by Maroon

[22] Ibid.

Partners Venture Fund (4). One investor made 3 investments, 21 made 2 investments, and the rest (48 investors) made only 1 investment. Most investment activity (by deal count and amount) came from investors outside the PV, but there were several active PV-based investors, including Maroon Venture Partners (UMass venture fund), several MassMutual Funds (MassMutual Impact Investing, MassMutual Ventures, MassMutual Catalyst Fund), Alchemy Group, and Boston Impact Initiative.

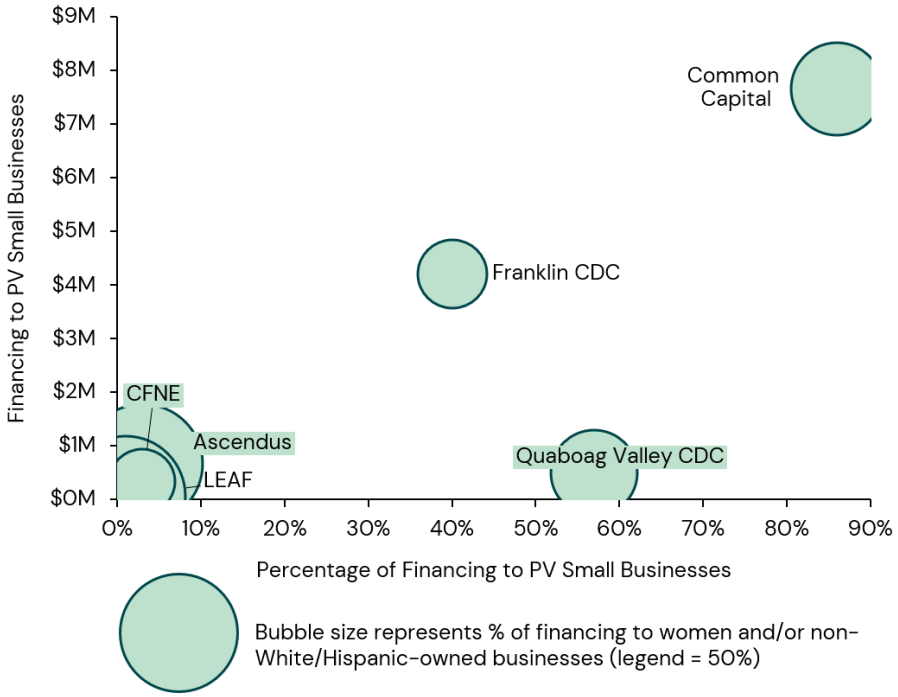
There is a relatively small number of active CDFIs/CDCs in the PV, and even fewer whose financing is concentrated in the region. There were six active CDFI/CDCs serving the PV from 2019-2023 whose financing combined for nearly $12 million. Total deployment by CDFI/CDC ranged from $65,000 (LEAF) to $7.66 million (Common Capital). Most financing ($11.9 million or 88%) was provided by Common Capital and Franklin CDC ($7.7 million and $4.2 million, respectively). Only Common Capital and Quaboag CDC do most of their small business financing in the PV (86% and 57%, respectively). The sector is evolving, with existing organizations expanding their offerings and/or reach (e.g., Franklin County CDC), existing non-local organizations entering or considering entering the PV market (e.g., Local Enterprise Assistance Fund, Boston Impact Initiative, and Nectar Community Investments), and local organizations launching new funds (e.g., Valley CDC).

Diversity of CDFI/CDCs' small business client bases varies widely, from 3 to 100% PoC-owned and 0 to 72% women-owned. The wide range is in part due to the relatively low volume of deals. Of the more active lenders, Ascendus' client base was the most diverse, with 100% PoC-owned and 60% women-owned businesses, followed by Common Capital and Franklin County CDC (both approximately half PoC-owned for each, and one third to half women-owned).

CDFI/CDC Small Business Lender Activity in the Pioneer Valley, 2019-2023 [23]

[23] Matt Brewster, Meaghan Phillips, and Elise Rapoza. "Community Capital for Small Businesses: A Study of the CDFI and CDC Ecosystem in Massachusetts." (Boston, MA: MassINC, June 2024.)

Access to Capital in the Pioneer Valley



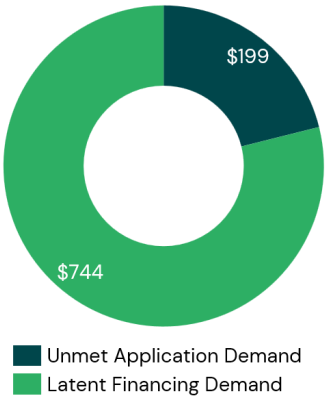
Profiles of CDFI/CDCs that Finance Small Businesses in the Pioneer Valley

	Common Capital	Franklin County CDC	Quaboag Valley CDC	Ascendus	Local Enterprise Assistance Fund (LEAF)	Cooperative Fund of the Northeast (CFNE)
Physical Location(s)	Springfield, MA	Greenfield, MA	Ware, MA	New York, NY (HQ) Roxbury, MA	Boston, MA	Watertown, MA
Target Geographic Market	The four counties of Western MA (Berkshire, Franklin, Hampden, Hampshire)	61 towns in Western, Central (inc. Franklin County + North Quabbin region)	20 cities/towns in the Quaboag Valley, MA and low-income business owners in Hampshire, Hampden and Worcester	90% of lending in NY, FL, New England (excl. VT), GA, MI (*some offerings are nationwide or in NJ, SE/Midwest*)	Coops nationally; small businesses in Massachusetts	New England & New York
Certification(s)	CDFI	CDC	CDFI & CDC	CDFI	CDFI	CDFI
% of deployment in PV (by #, by $)	86%, 85%	40%, 36%	57%, 61%	3%, 3%	1%, 2%	3%, 6%
PV deployment, 2019-2023 (#,$)	170, $7.66M	52, $4.2M	20, $0.5M	38, $0.67M	1, $.065M	3, $0.34M
% Non-white / Hispanic, by $ (in PV)	51%	46%	3%	100%	100%	55%
% women-owned, by $ (in PV)	52%	32%	72%	60%	0%	<unknown>
Products	• Term loan	• Term loan	• Term loan • Micro-enterprise loan	• Term loan • Lines of credit	• Term loan • Contract finance • Construction and permanent financing	• Term loan • Lines of credit

V. Pioneer Valley Underserved Small Business Unmet Financing Demand

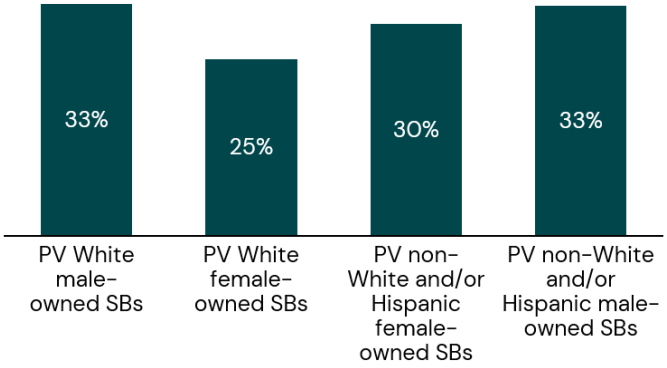
There is approximately $944 million in unmet financing demand from PoC- and women-owned small businesses in the PV, including $199 million in unmet application demand and $744 million in latent financing demand.

Unmet Financing Demand from PoC-owned SB in the PV ($M)[24]



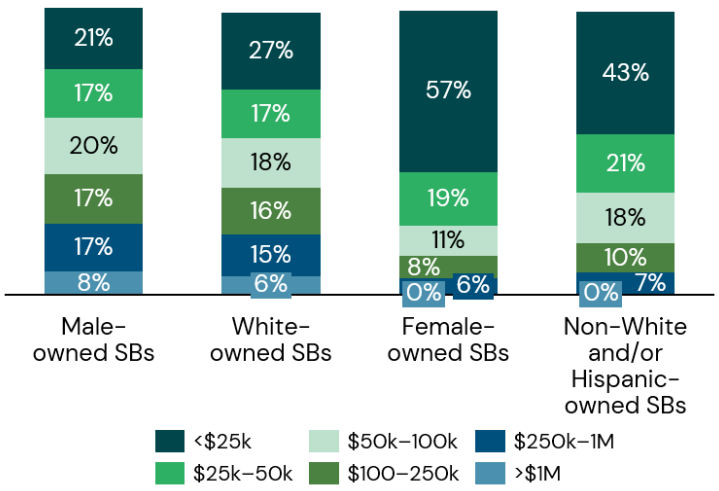
PV businesses owned by PoC women apply for financing at a similar rate as businesses owned by White men (30% vs. 33%, respectively). However, PoC owners and women business owners apply for much smaller amounts of financing: 57% and 43%, respectively, seek <$25,000, compared with only 21-27% of men-owned and/or white-owned businesses applying for the same. Conversely, 25% of men and 21% of White business owners seek $250k-$1M, compared with only 6% and 7% of women- and PoC-owned businesses, respectively.

Annual Rate of Application for Financing by Pioneer Valley Women- and PoC-owned Small Businesses[25]



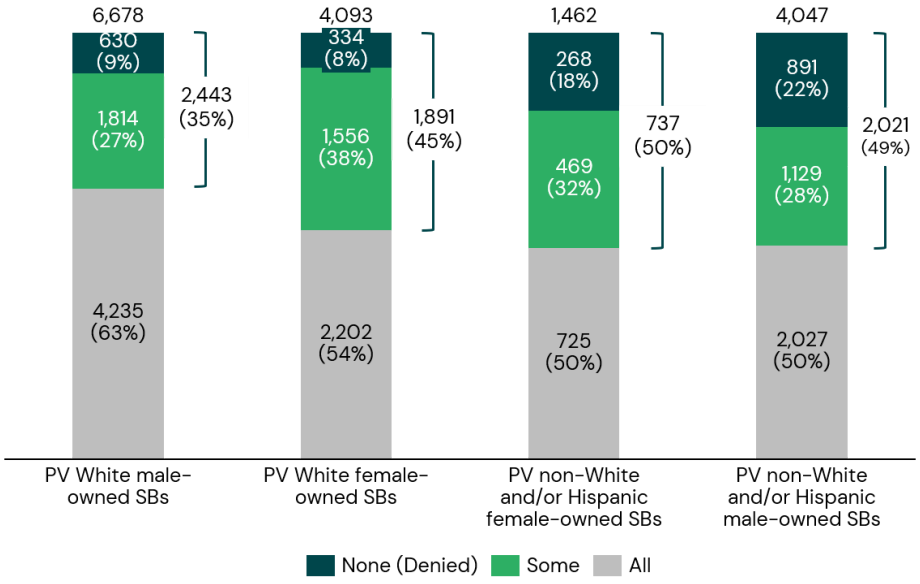
Estimate of Amount Sought by Pioneer Valley Women- and PoC-owned Small Businesses[26]

[24] Proprietary estimation calculation of unmet financing demand utilizing data from US Census Bureau Annual Business Survey, Federal Reserve Small Business Credit Survey, MassINC Polling Group Small Business Surveys.
[25] US Census Bureau Annual Business Survey, Federal Reserve Small Business Credit Survey, MassINC Polling Group Small Business Surveys
[26] Ibid



PV women- and/or PoC-owned small businesses are more likely to experience financing shortfalls (those that received none or just some of what they applied for) compared to men- and/or White-owned small businesses. Approximately 45-49% of women- and/or PoC-owned small businesses experience financing shortfalls (4,648 in total), compared to approximately one third (35%) of White men-owned businesses (2,443) who experience financing shortfalls annually. The rate of complete denial is 2x higher for PoC-owned small businesses in the PV.

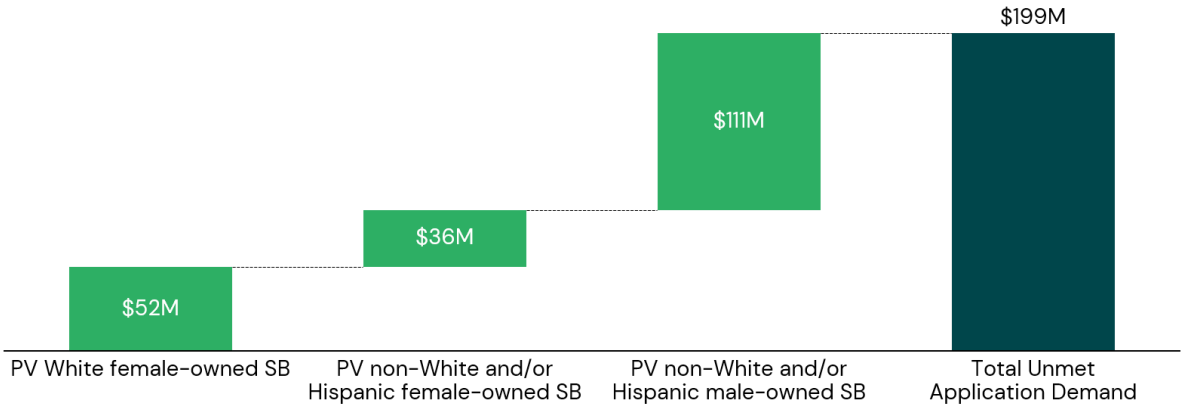
Pioneer Valley Small Business Estimated Financing Application Amounts Received by Race/Ethnicity and Gender of Owner[27]



[27] : US Census Bureau Annual Business Survey, MassINC Polling Group Small Business Survey.

Small businesses in the PV face an estimated $199 million in unmet application demand—financing that business owners sought but did not receive. Nearly three-quarters of this gap ($147 million) falls on PoC-owned businesses, with $111 million attributable to PoC men-owned firms and $36 million to their women-owned counterparts, alongside $52 million for White women-owned businesses.

Estimated Unmet Financing Application Demand from Pioneer Valley Women- and/or Non-White and/or Hispanic-Owned Small Businesses[28]

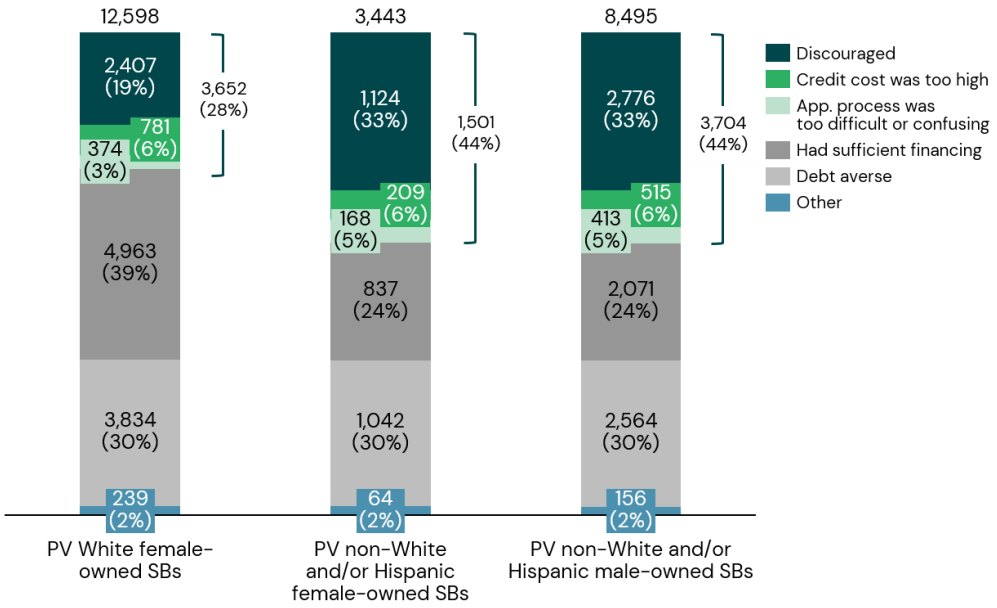


While most business who did not apply for financing ("non-applicants") have sufficient financing or do not want any debt, a significant portion are discouraged or deterred by barriers such as high interest rates or a difficult application process. We estimate that approximately 8,700 PV PoC- and/or women-owned small businesses (36% of non-applicants) are discouraged or deterred and would likely apply for financing if conditions were more favorable. PoC non-applicants are more likely to be discouraged and deterred (44%) than White women-owned small businesses (28%).

Pioneer Valley Small Business Reasons for not Applying for Financing By Race/Ethnicity and Gender of Owner[29]

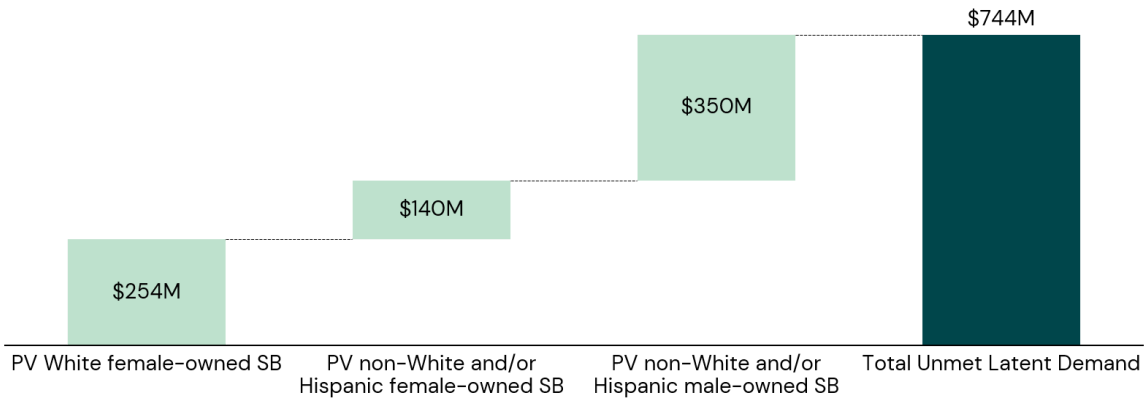
[28] Sources: US Census Bureau Annual Business Survey, Federal Reserve Small Business Credit Survey, MassINC Polling Group Small Business Surveys. Unmet demand amount assumes that on average 25% of financing sought by those that received "some" of the financing they applied for is unmet.

[29] US Census Bureau Annual Business Survey, MassINC Polling Group Small Business Survey, Federal Reserve Bank's Small Business Credit Survey



Discouraged and deterred non-applicants are the basis of the latent demand estimate of $744M. This figure comprises $254 million in non-applicants from the PV who are White and women-owned, $140 million from PoC women-owned small businesses, and $350 million from PoC men-owned small businesses.

Estimated Latent Financing Demand from Pioneer Valley Women- and/or Non-White and/or Hispanic Owned Small Businesses[30]



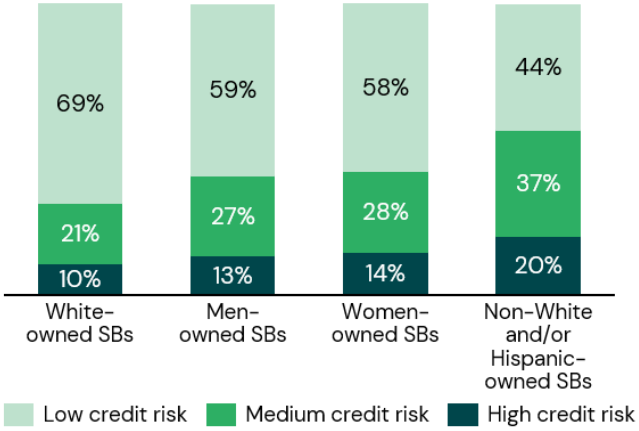
Interviews with capital and technical assistance providers add context to these findings. Local capital providers, including CDFIs and CDCs, highlighted several areas of unmet need in the financing ecosystem. Interviewees noted that early-stage businesses need and have trouble accessing small-dollar ($20,000 to $30,000) equity or equity-like debt financing to start or growth their businesses. Interviews also noted an unmet need for flexible, affordable revolving credit (e.g., lines of credit), particularly for businesses with business-to-business (B2B) models

[30] Ibid

that serve customers with delayed payment terms. Stemming from the pandemic era when unprecedented grant funding became available in the form of emergency funds, capital providers noted an uptick in grant funding requests and expectations from small business owners. While the expectation of grant funding is generally seen as unrealistic by most capital providers, some indicated that the highest risk, lowest-income business owners may require a grant to get started as they would not qualify for any loan product and do not have personal savings to use or access to friends and family funding.

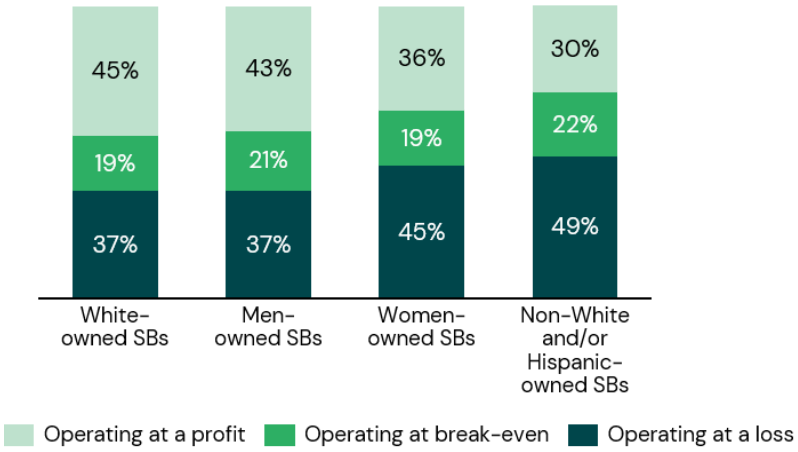
When considering how unmet financing demand is best addressed, it is important to consider the credit risk and profitability disparities for the target small business community. While PV-specific data isn't available, nationally PoC-owned small businesses have higher credit risk profiles (57% medium and high risk) compared to their White-owned counterparts (31%) and women- and PoC-owned small businesses are more likely to operate at a loss compared to their White-owned and men-owned counterparts (45 and 49% vs. 37% each, respectively). [31]

Credit Risk Profile of Small Business by Race/Ethnicity and Gender of Owner



Profitability of Small Business by Race/Ethnicity and Gender of Owner

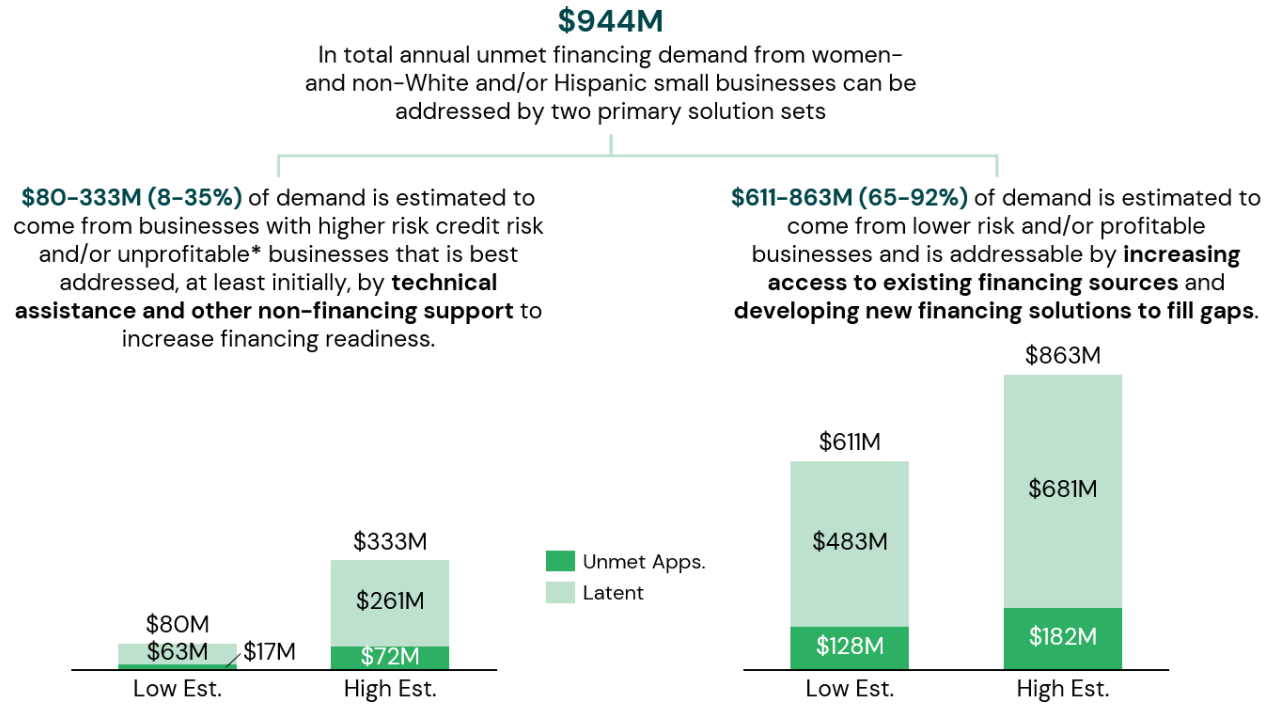
[31] Source: Federal Reserve Small Business Credit Survey. Low credit risk is defined as business credit score of 80-100 *or* personal credit score of 720 or higher; medium credit risk is defined as business credit score of 50-79 or personal credit score of 620-719; high credit risk is defined as a business credit score of 1-49 or personal credit score below 620.



Capital providers interviewed describe the dominant profile of PV small businesses seeking capital as early-stage and/or small and often with insufficient qualifications to meet financing capital thresholds or requirements. Commonly cited barriers to capital readiness include incomplete or erroneous financial records, poor personal and/or business credit history, limited or no collateral, and low profitability. Capital providers vary in their ability to work around these challenges, but even with flexible terms indicate there is a meaningful gap in readiness among service-based businesses (e.g., restaurants, gig workers), for whom cash flow inconsistency is the top barrier (even more so than credit score). Private investors noted that they could deploy more to PoC- and/or women-owned businesses in the PV if they could identify more larger, higher-growth businesses. Some capital providers offer business development services to increase the likelihood of capital readiness; however, several noted that a more intensive amount of technical assistance support is needed and that many lighter touch efforts are ineffective. The community organizations that serve predominantly PoC-owned and/or non-native English populations described their work as very high-touch and requiring significant handholding to get businesses prepared. Interviewees also noted that general education on predatory lending is needed, as some potential borrowers that are not successful with securing capital from local institutions are turning to online lenders or merchant cash advance companies and end up in a worse financial position (making them even harder to serve and less qualified later on).

Informed by the disparities in credit profile and profitability and interviewee perspectives, we estimate that approximately one quarter (8-35% or $80-$333 million) of unmet demand is estimated to come from businesses with high credit risk and/or unprofitable businesses that is best addressed, at least initially, by technical assistance and other non-financing support to increase financing readiness. The remaining approximately three quarters (65-92% or $611-$863 million) of the $944 million of unmet demand is estimated to come from lower risk and/or profitable businesses. This unmet demand is best addressed by increasing access to existing financing sources and developing new financing solutions to fill gaps.

Unmet Financing Demand for Women- and Non-White and/or Hispanic-owned Small Businesses Segmentation by Solution Set[32]



Capital provider interviewees cited a general lack of small business awareness of available technical assistance and capital solutions which impacts both solutions sets noted above. CDFIs and CDCs cited deployment of existing capital as a primary challenge, with most noting that they have capital to deploy, but have challenges with generating a qualified pipeline of potential borrowers. Most hypothesize that the primary underlying issue is a lack of awareness of CDFIs and CDCs. These perspectives on awareness are validated by a recent Massachusetts small business survey that found that less than one quarter (24%) of small businesses reported receiving technical assistance and only 5% reported working with a CDFI. Most interviewees noted that they have limited funding for operations and specifically for marketing and technical assistance that could help increase awareness and the size and quality of their pipelines. One CDFI interviewed has dedicated significant time to building pipeline in Western Massachusetts because referrals from partner organizations are "thin" and cited getting creative with outreach. A statewide bank with PV presence noted that Small Business Development Corporations (SBDCs) are seen as playing a critical awareness and education role before businesses even get to the point of applying for financing. One CDC shared a story about partnering with an organization that is known and trusted by the immigrant population, which helped the CDC quickly gain trust and credibility with a non-native English-speaking group.

[32] Low end includes high credit risk *and* operating at a loss; high end includes medium or high credit risk and operating at a loss or break even. Credit risk and profitability are imperfect proxies for capital readiness; for example, some unprofitable businesses may be high-growth startups that are attractive candidates for venture capital.

Many interviewees cited unfamiliarity, distrust, and/or fear of financial systems as a major barrier for underserved businesses in the PV; significant education, outreach, and community building was described as required to reach those businesses. One local bank shared that businesses owned by PoC and/or women were underrepresented in the loan portfolio not because loans were being denied, but because they are not receiving inquiries. They described it as "an awareness and trust problem, not an underwriting problem." Those who have put meaningful effort into community building (coffee chats, weekly sessions for both skill building and networking, etc.) have seen deepened understanding, confidence, and knowledge of banking and other capital options.

Across the PV, there are a range of capital options and corresponding business development services for small businesses, but the ecosystem is described by capital and technical assistance providers as uncoordinated. Local alternative lenders tend to work with a small number of other capital providers, but noted not having relationships with the full spectrum of potential referral partners. Multiple interviewees described the ecosystem as siloed and noted that despite some efforts to support businesses in a coordinated manner, organizations know of each other but do not refer clients fluidly from one to another. One business support organization conducted a large survey recently and uncovered that navigating the ecosystem is overwhelming and a top barrier for local businesses.

PV's small business capital ecosystem has many strengths and recent momentum in serving underserved small businesses. Productively fulfilling the unmet financing demand from the PV's PoC- and women-owned small businesses will require cross-sector collaboration, increased funding, and various financing and non-financing programmatic efforts to address the varied underlying challenges these small businesses face.

VI. Appendix

Interviewees

Name	Title	Organization
Raymond Lanza-Weil	President	Common Capital
Dee Dice	Programs Coordinator	Hilltown CDC
Sarah Sargent	Program Director	Valley Comm. Dev.
Andrew Melendez	Executive Director	Latino Econ. Dev. Corporation
Melissa Fales	Executive Director	Quaboag Valley CDC
Christina Webster and Megan Allen	Co-Founders	The Sphere
Fred Rose	Co-Director	Wellspring Cooperative
John Waite	Executive Director	Franklin County CDC
Tim Burke	CEO	Mill Town Capital
Jonathan Sanchez	Regional Head of Commercial Banking	M&T Bank
Ryan Hess	SVP, Chief Commercial Banking Officer	Florence Bank
Samalid Hogan	Director of Business Support Services	Boston Impact Initiative
Paul Silva	Executive Director	Innovate 413
Liz Roberts	Head of Impact Investing	MassMutual

Comparable Region Profiles

Region Name	Main City	Counties	Total Population (2023–24 est.)	% Non-White Population	Employment Growth Rate (2022–2023)	Current Un-employment Rate	Total Small Business	Top 3 Business Industries
Greater Springfield, MA	Springfield	Hampden, Hampshire	628,000	40%	1.1%	3.7%	55,270	Health Care & Social Assistance; Educational Services; Manufacturing (defense, precision)
Greater Hartford, CT	Hartford	Hartford, Tolland	1,060,000	41%	0.8%	3.0%	92,240	Insurance & Finance; Health Care & Social Assistance; Aerospace & Defense Manufacturing
Greater Providence, RI	Providence	Providence	659,000	42%	0.4%	4.0%	69,370	Health Care & Social Assistance; Educational Services (Brown, RISD, Providence College); Manufacturing (defense, jewelry, precision)
Greater Rochester, NY	Rochester	Monroe	754,000	30%	-0.1%	4.0%	65,709	Health Care & Social Assistance; Optics, Imaging & Photonics Manufacturing; Educational Services (University of Rochester, RIT)